

South Carolina Department of Health and Human Services

House Ways and Means Healthcare Subcommittee
Budget Presentation
December 15, 2011

Mission of South Carolina Department of Health & Human Services:

To purchase the most health for our citizens in need at the least possible cost to the taxpayer.



Medicaid serves the state's vulnerable citizens. Our job is to ensure the program is effective and sustainable.

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Section 1: Overview

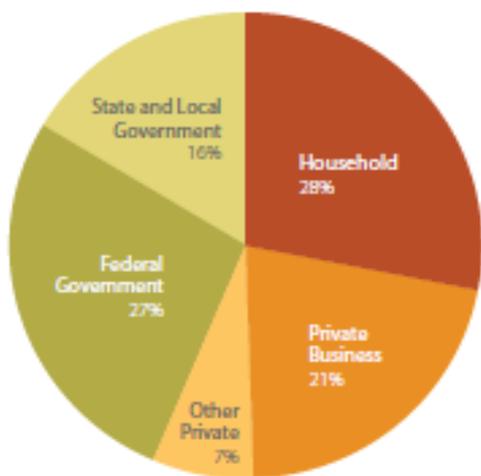
U.S. Spending in Health Care

Source: US Health Care Spending, California Health Care Almanac; Centers for Medicare and Medicaid Services (CMS)

U.S. Health Care Spending, 2009 . . . \$2.5 trillion

Health Care as Share of GDP 17.6%
 Per Capita Spending \$8,086
 Growth in Spending (total/per capita) . . . 4.0%/3.1%

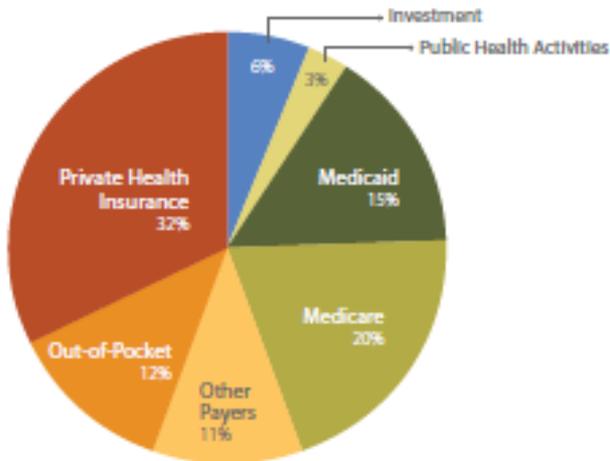
CONTRIBUTORS TO SPENDING, 2009



Growth Rates, by Spending Categories, 2009

Home Health Care 10.0%
 Prescription Drugs 5.3%
 Hospital Care 5.1%
 Physician and Clinical Services 4.0%
 Nursing Care Facilities 3.1%
 Dental Services -0.1%

PAYMENT SOURCES, 2009



Top Three Spending Categories for Major Payers, 2009

PRIVATE INSURANCE

Hospital Care 33%
 Physician and Clinical Services 30%
 Prescription Drugs 14%

MEDICARE

Hospital Care 44%
 Physician and Clinical Services 22%
 Nursing Home/Home Health Care . . . 12%

OUT-OF-POCKET

Dental and Other Care 23%
 Other Medical Products 20%
 Prescription Drugs 18%

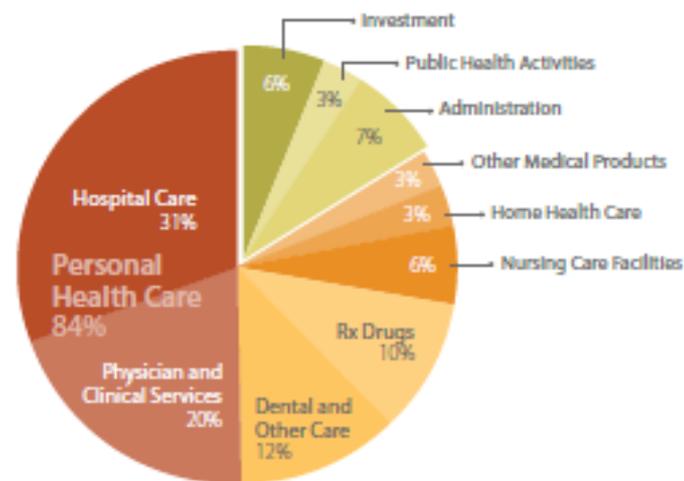
Reference Points, 2009

Federal Revenues as Share of GDP 14.9%
 GDP Growth -1.7%
 Consumer Price Index (CPI) Growth -0.4%
 Medical CPI Growth 3.2%

Average Annual Growth Trends, 1999 to 2009

GDP 4.2%
 CPI 2.6%
 Medical CPI 4.1%
Health Care Spending 6.8%
Health Care Spending Per Capita 5.8%

SPENDING CATEGORIES, 2009



Strategy Drivers

- 80 to 90% of health and well-being is not the result of health services, but income, education, personal choices, genetics and environment.

(Social Determinants of Health model)

- 30% of all health care expenditures in the U.S. in 2009 were actually excess costs that contribute nothing to health outcomes. The Institute of Medicine recommends pushing out 10% of excess health costs in 10 years.

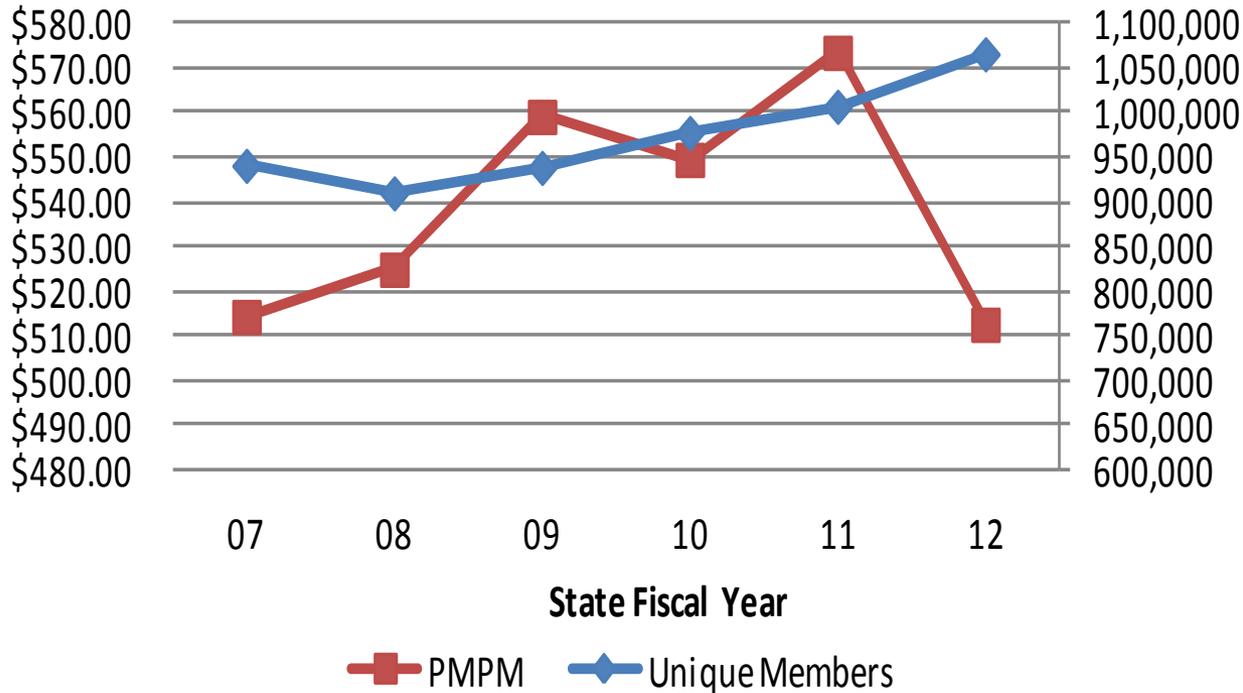
(Institute of Medicine)

We can invest in more health services, or we can invest in better health.

Removing excess costs from the system allows us to invest in other state priorities or prepare the state for future Medicaid expansions and federal cost shifting.

Bending the Cost Curve

Unique Medicaid Members Compared to Per Member Per Month (PMPM) Costs



Purchasing more value involves the management of PMPM costs. The department is already pushing costs out of the system, and bending Medicaid's PMPM cost curve.

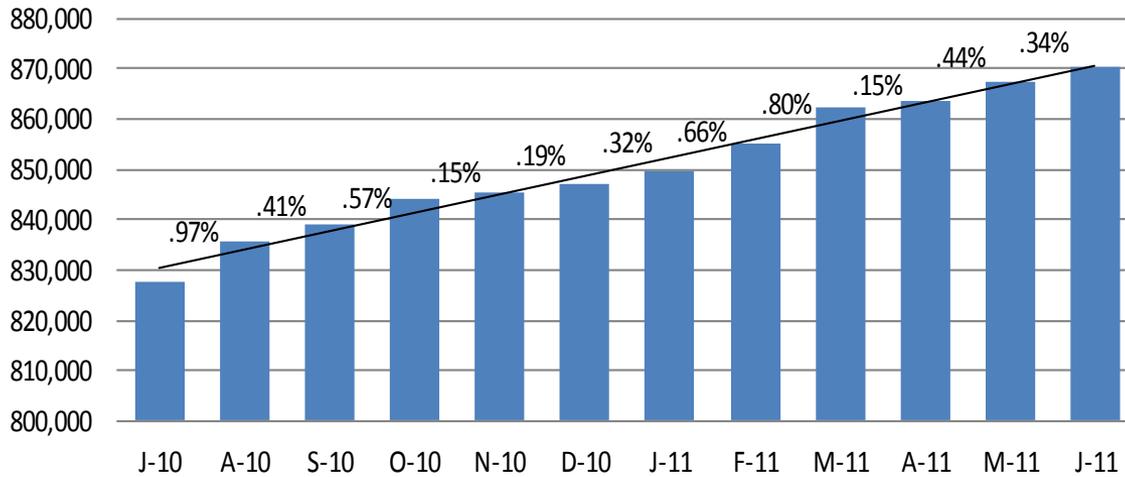
The PMPM in FY 2011 was \$573.57. In FY 2012 it is projected to be \$512.65.

Sources: RSS3870 & Thomson Reuters Advantage Suite
Preliminary FY10 data in SAP as of 9/13/11

Section 2: FY 2012 Update

FY 2011: Enrollment Overview

Actual Monthly Medicaid Enrollment with Percent Change SFY 2011



Net Enrollment Impact 4.88%

■ Enrollment

FY 2011 program growth indicates a 4.88% increase equivalent to 47,000 members.

In June 2011, there were 870,000 members enrolled in Medicaid.

In FY 2012, the average monthly enrollment is expected to grow by 40,000 members. This will be a growth of 4.8%.

Historical Medicaid Enrollment

State Fiscal Year	Unique Members	Member Months
2007	941,317	9,158,360
2008	910,486	8,895,323
2009	938,979	9,218,144
2010	978,095	9,731,923
2011	1,007,408	10,255,356
2012 Budget		10,747,596
2013 Budget		11,091,768
% Change in Growth	7.0%	21.1%

Member months represent all Medicaid enrollees multiplied by the number of months they were enrolled in Medicaid.

Greater growth in member months versus unique individuals served indicates that people are spending longer on Medicaid today than in the past.

Sources: RSS3870 & Thomson Reuters Advantage Suite All Medicaid and CHIP excluding GAPS and Refugees Includes SSI, Duals, or disabled members that have received retroactive eligibility since the cut off of standard RSS reporting.

FY 2011 Actuals Compared to FY 2012 Budgeted

All Funds Comparative Budget Summary FY 2011 to FY 2012

	FY 2011 Actual	FY 2012 Budget *
Annual Budget Allocation		
Medicaid Assistance	\$ 4,816,367,154	\$ 4,432,500,812
Other Health Programs	990,417,077	1,025,548,666
Operating Expenditures	75,419,937	91,000,655
Total Annual Program Allocation	\$ 5,882,204,168	\$ 5,549,050,133
<i>% Change</i>		-5.7%
July 1 Budget Appropriation	\$ 5,766,840,751	\$ 5,796,543,317
<i>% Change</i>		0.5%

* FY 2012 Budget as of December 12, 2011

The SFY12 appropriation equals \$5.8 billion, which includes excess “other funds” and “federal funds” authority.

The department is working to remove excess authority from the budget because it can be misleading as to the actual amount of cash available.

FY 2012 Year to Date Financial Results

Year to Date Budget to Actual Spending Report

As of December 12, 2011

	FY 2012 Budget	YTD Actuals as of 12/12/2011	% Budget Expended
SCDHHS Medicaid Assistance			
Coordinated Care	\$ 1,425,423,729	\$ 617,380,006	43%
Hospital Services	774,200,000	331,637,753	43%
Disproportionate Share	461,500,000	240,093,162	52%
Nursing Facilities	508,649,914	214,461,206	42%
Pharmaceutical Services	215,000,000	86,879,852	40%
Physician Services	187,930,440	74,181,271	39%
Community Long-Term Care	161,257,044	70,225,081	44%
Dental Services	99,514,454	47,420,012	48%
Clinical Services	68,000,000	27,134,138	40%
Transportation Services	55,000,000	16,272,345	30%
Medical Professional Services	44,005,591	16,700,077	38%
Durable Medical Equipment	40,600,000	15,677,918	39%
Lab & X-Ray	30,000,000	11,903,259	40%
Family Planning	22,734,324	9,894,093	44%
Hospice	12,000,000	5,406,413	45%
PACE	12,515,061	4,936,936	39%
EPSDT Services	9,600,000	4,313,602	45%
Home Health Services	7,002,337	3,777,339	54%
Integrated Personal Care	5,270,600	2,578,623	49%
Optional State Supplement	17,297,318	8,334,479	48%
Premiums Matched	179,000,000	91,630,340	51%
MMA Phased Down Contributions	79,000,000	27,614,060	35%
Premiums 100% State	17,000,000	8,267,697	49%
Total SCDHHS Medicaid Assistance	\$ 4,432,500,812	\$ 1,936,719,661	44%
Other SCDHHS Health Programs			
State Agencies & Other Entities	\$ 898,355,813	\$ 332,289,842	37%
Medical Contracts	127,192,853	24,989,184	20%
Total Other SCDHHS Health Programs	\$ 1,025,548,666	\$ 357,279,026	35%
SCDHHS Operating Expenditures			
Personnel	\$ 46,846,502	\$ 18,783,684	40%
Benefits	15,724,016	6,753,360	43%
Other Operating Costs & Contracts	28,430,137	8,368,724	29%
Total SCDHHS Operating Expenditures	\$ 91,000,655	\$ 33,905,768	37%
TOTAL BUDGET TO YTD ACTUAL	\$ 5,549,050,133	\$ 2,327,904,455	42%

As of December 12, 2011, 45% of the fiscal year has passed.

SCDHHS Medicaid Assistance Expenditures are at 44% budget expended as of the same date.

State agency, medical contracts and other operating contracts are below budget primarily because of invoice timing issues.

Section 3: FY 2013 Budget Request

FY 2013 Budget Request:

All Funds

Summary of FY 2013 Budget Request

Appropriation Purpose:	State General Funds	Federal Funds	Other Funds	TOTAL FUNDS
Base Appropriation for Maintenance of Effort				
Continuation of Base Budget	\$ 917,495,132	\$ 3,221,907,596	\$ 615,129,974	\$ 4,754,532,702
Annualization Management Funding <i>(Non-recurring in FY 2012)</i>	\$ 242,729,456	\$ 576,748,788	\$ -	\$ 819,478,244
Subtotal - Base Appropriation Request for Maintenance of Effort	\$ 1,160,224,588	\$ 3,798,656,384	\$ 615,129,974	\$ 5,574,010,946
New Spending Requests	\$ 103,799,862	\$ 245,840,718	\$ -	\$ 349,640,580
Non-recurring Capital Request	\$ 7,157,264	\$ 30,353,993	\$ -	\$ 37,511,257
Total FY 2013 Budget Appropriation Request	\$ 1,271,181,714	\$ 4,074,851,095	\$ 615,129,974	\$ 5,961,162,783

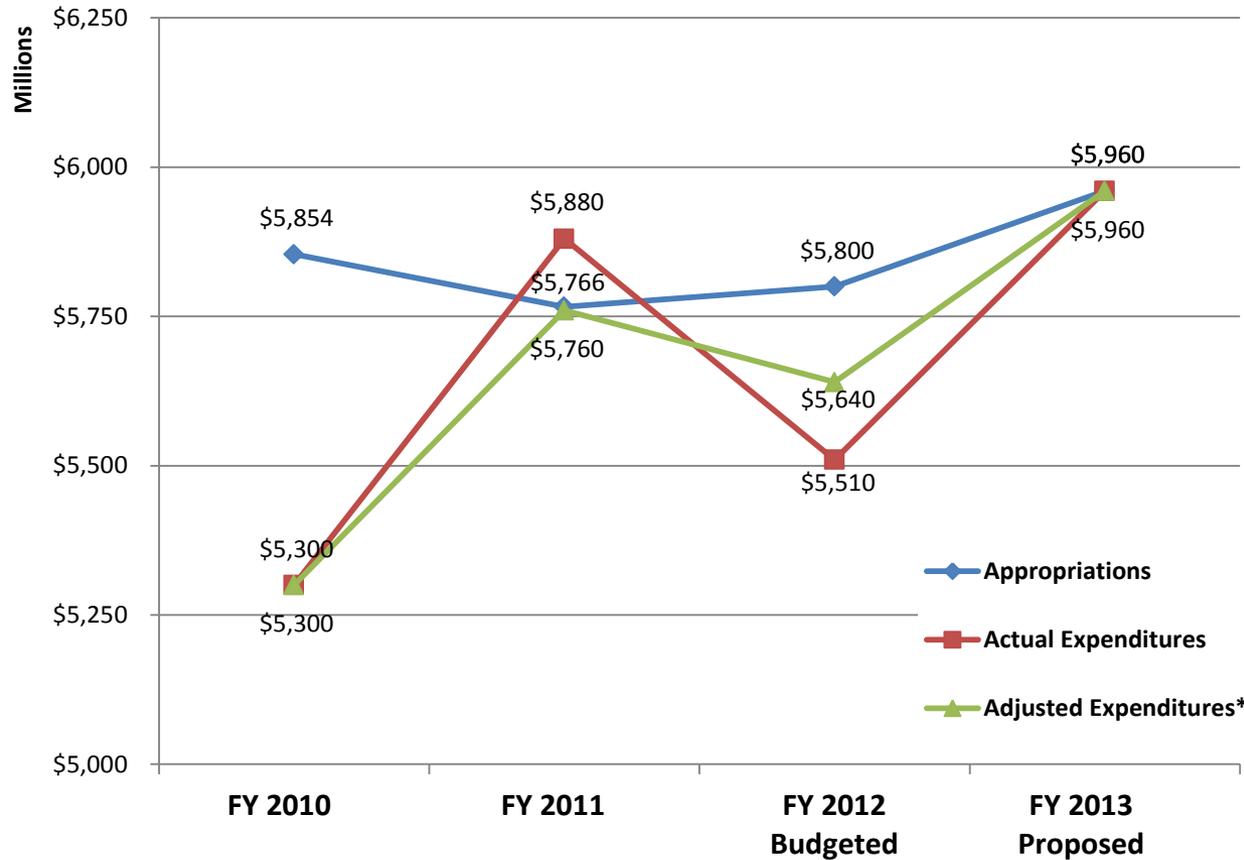
Budget targeted toward building efficient care delivery system and purchasing better health.

FY 2013 budget request based on continuation of FY 2012 reductions.

FY 2013 budget request anticipates no provider rate cuts.

FY 2013 Total Funds request is a 2.8% increase.

SCDHHS Medicaid Total Budget



**FY 2010 to FY 2013
Appropriation Growth:
1.8%**

**FY 2010 to FY 2013
Expenditure Growth:
12.5%**

**FY 2010 to FY 2013
Member Month
Enrollment Growth:
15.2%**

Member Months:

Fiscal Year	Member Months
FY 2010	9,731,923
FY 2011	10,255,356
FY 2012 Budgeted	10,783,980
FY 2013 Proposed	11,213,472

* Adjusted (Normalized) Expenditures equalizes the managed care premium payment shifts.

FY 2013 Budget Request:

Base Appropriation Priorities

All Funds \$ 5,547,070,946

State Match \$ 1,160,224,588

Budget based on continuation of FY 2012 reductions, anticipating no further provider rate cuts.

FY 2013 Base Appropriation for Maintenance of Effort Funding Priorities					
Priority No.	Spending Purpose	State Funds	Federal Funds	Other Funds	Total Funds
1	Current Base Appropriation	\$ 917,495,132	\$ 3,221,907,596	\$ 615,129,974	\$ 4,754,532,702
2	Annualization Management Funding (Non-Recurring in FY 2012)	\$ 242,729,456	\$ 576,748,788	\$ -	\$ 819,478,244
Total FY 2013 Base Appropriation for Maintenance of Effort Priorities		\$ 1,160,224,588	\$ 3,798,656,384	\$ 615,129,974	\$ 5,574,010,946

\$242 million Annualization Management Funding is required to access cigarette tax funds and to replace one-time funds for recurring expenses with recurring revenues.

Sources of FY 2012 Non-Recurring Funds

- Proviso 90.16. Proceeds of the cigarette tax from collections in FY 2011 and FY 2012. **\$ 157,299,845**
- Proviso 90.3. Healthcare Tobacco Settlement Trust Fund and upon approval of the Tobacco Settlement Revenue Management Authority. **\$ 10,000,000**
- Proviso 90.18. This funding was maintained by the State and allocated by the legislature. **\$ 45,577,252**
- Proviso 90.21. Earmarked monies based on increased enforcement collections by the Department of Revenue. **\$ 28,080,667**
- House Bill 370. State's Capital Reserve Fund. **\$ 1,771,692**

Provisos 90.18 and 90.21 used one-time monies to fund recurring expenses.

FY 2013 Budget Request: New Spending Priorities



All Funds \$ 349,640,580
State Match \$ 103,799,862

MOE Enrollment Growth assumptions indicate a 3.2% increase for FY 2013.

Enrollment Planning & Management allows the phase-in of 78,137 currently eligible children under 133% of poverty during FY 2013 as a hedge to ACA expansion in FY 2014.

Request adds 550 community long term care slots and maintains nursing home permit days at current level.

Potential reinstatement of Emergency Adult Dental.

Funding for a Fraud & Abuse case system management for improved case management.

FY 2013 New Program Initiative Priorities					
Priority No.	New Program Initiative	State Funds	Federal Funds	Other Funds	Total Funds
1	Medicaid Enrollment Growth & Federal Mandates	\$ 68,552,185	\$ 162,886,657	\$ -	\$ 231,438,842
2	Enrollment Planning & Management	\$ 29,492,975	\$ 69,609,763	\$ -	\$ 99,102,738
3	Reduction in Community Long-term Care Waiting Lists	\$ 1,829,942	\$ 4,319,058	\$ -	\$ 6,149,000
4	Potential Reinstatement of Emergency Adult Dental Services	\$ 3,749,760	\$ 8,850,240	\$ -	\$ 12,600,000
5	Fraud & Abuse Case Management Enterprise System	\$ 175,000	\$ 175,000	\$ -	\$ 350,000
Total New Program Initiatives		\$ 103,799,862	\$ 245,840,718	\$ -	\$ 349,640,580

FY 2013 Budget Request:

Non-Recurring Capital Request Priorities

FY 2013 Capital Budget Priorities				
Priority No.	Project Name	Additional State Funds	Previously Authorized State Funds	Project Total State Funds
1	Mandated multi-year technology projects to modernize IT systems	\$ 7,157,264	\$ 1,771,692	\$ 8,928,956
Total Capital Projects Budget Priorities		\$ 7,157,264	\$ 1,771,692	\$ 8,928,956
Total FY 2013 Funds for Capital Budget Priorities				
	State Funds	\$ 7,157,264		
	Federal Funds	\$ 30,353,993		
	Total Funds	\$ 37,511,257		

Capital requests include continuations of previously approved multi-year IT efforts.

These IT improvements will help SC Medicaid comply with federal mandates and a recent state audit.

Priority 1: Non-Recurring Capital Request:

- Replacement of Medicaid Management Information System (MMIS)
- Replacement of Medicaid Eligibility Determination System (MEDS)
- Implementation of International Statistical Classification of Diseases (ICD-10)
- Implementation of Health Information Technology and Health Information Exchange (HIT/HIE) and Electronic Health Records Incentive Payment Program (EHR Incentives)

Summary of SCDHHS FY 2013 New Funding Request

SUMMARY OF FY 2013 STATE GENERAL FUND FUNDING REQUEST

	FY 2012 Approved	FY 2013 Requested	New State Funds Request
REQUESTED FUNDS			
Base Appropriation for Maintenance of Effort (General Fund)			
Original Base	\$ 917,497,132	\$ 917,497,132	
Annualization Management Funding (Prior Year Non-Recurring Funds)		242,729,456	
Total Base Appropriation for Maintenance of Effort	\$ 917,497,132	\$ 1,160,226,588	\$ 242,729,456
Non-Recurring Funds (Other Funds)			
Proviso 90.18 - Allocated by State	\$ 45,577,252	\$ -	
Proviso 90.21 - Enforcement Collections	28,080,667	-	
Proviso 90.16 - Cigarette Tax Collections	157,299,845	-	
Proviso 90.3 - Health Tobacco Settlement Trust Fund	10,000,000	-	
House Bill 370 - Capital Reserve Fund	1,771,692	-	
Total Non-Recurring Funds	\$ 242,729,456	\$ -	\$ (242,729,456)
New Funding Requests			
Medicaid Enrollment Growth & Federal Mandates		\$ 68,552,185	
Enrollment Planning & Management		29,492,975	
Reduction in Long-term Care Waiting lists		1,829,942	
Potential Reinstatement of Emergency Adult Dental		3,749,760	
Fraud & Abuse Case Management Enterprise System		175,000	
New Funding Requests		\$ 103,799,862	\$ 103,799,862
New Non-recurring Capital Requests		\$ 7,157,264	\$ 7,157,264
Total Recurring and Nonrecurring Funds	\$ 1,160,226,588	\$ 1,271,183,714	
Total FY 2013 New Funding Request			\$ 110,957,126

Section 4: Looking Ahead

Affordable Care Act

Medicaid Expansion Impact

Population	FY 2013	FY 2014	FY 2015
Current Programs			
Medicaid	857,906	871,000	884,000
CHIP	66,408	67,000	68,000
Total Current Programs	924,314	938,000	952,000
After Expansion- 73% Average Participation			
Expansion Population			
Parents/Childless Adults		236,000	236,000
Currently Insured Population (Crowd-out)			
Children and Currently Eligible Parents		79,000	79,000
Newly Eligible Parents/Childless Adults		97,000	97,000
Currently Uninsured (Eligible but Unenrolled)			
Children		51,000	51,000
Parents		40,000	40,000
SSI Disable Eligible		7,000	7,000
Total Medicaid Population After Expansion		1,448,000	1,462,000
Fiscal Impact of Population Expansion			
State Funds		\$ 42,200,000	\$ 105,400,000
Federal Funds		\$ 885,600,000	\$ 1,955,000,000
Total Fiscal Impact - All Funds		\$ 927,800,000	\$ 2,060,400,000

ACA Projections

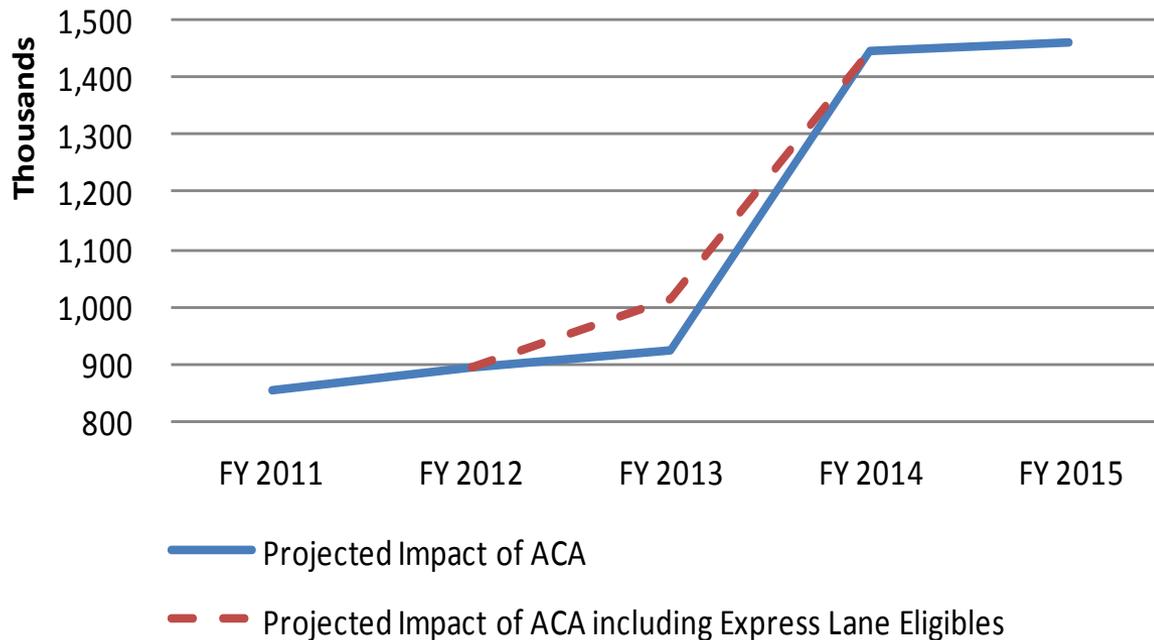
By FY 2015, latest actuarial estimates indicate that enrollment in the SC Medicaid program will exceed 1.46 million members.

For FY 2014 and 2015, SCDHHS will need at least \$147 million in additional match for ACA provisions and enrollment.

Source: Milliman

Preparing for the Minimum Expected ACA Medicaid Expansion Scenario

The Projected Impact of the Affordable Care Act on the Average Number of Monthly Eligibles



Establishing an “Express Lane” to enroll 78,137 currently eligible children during FY 2013 will prepare South Carolina for the impact of ACA.

Source: Milliman

Looking Ahead: Reduced Federal Medicaid Contributions

Federal Cost Shifting Currently Planned or Under Consideration

- **Reduced Federal Financial Participation**
Various proposals' recommendations to change FMAP funding formula will increase states' contributions
- **Reduced Disproportionate Share Hospital (DSH) Allotment**
Affordable Care Act: \$518 million reduction in federal funds from FY 2014 – FY 2020 for South Carolina*
- **Cap on Provider Taxes as a Source of State Match**
President's Budget Control Act: Reduce provider tax revenue threshold from current 6% to 3.5%

As in all states, SC Medicaid is facing enrollment increases even as federal matching funds are projected to decrease.

The potential for decreased federal contributions will require states to fund a larger share for their Medicaid programs.

By pushing out costs in the Medicaid program now, and making down payments toward FY 2014 expansions, the state can better respond to this new fiscal environment.

